

COPY

JUN 02 2010



MICHAEL K. JAMES, CLERK  
J. GARCIA  
DEPUTY CLERK

1 TERRY GODDARD  
Attorney General  
2 Firm Bar No. 14000  
CHERIE L. HOWE  
3 Assistant Attorney General  
State Bar No. 013878  
4 1275 West Washington Street  
Phoenix, Arizona 85007-2997  
5 Telephone: (602) 542-7725  
Facsimile: (602) 542-4377  
6 Consumer@azag.gov  
Attorneys for the State of Arizona  
7

8 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**  
9 **IN AND FOR THE COUNTY OF MARICOPA**

10 STATE OF ARIZONA, ex rel., TERRY  
11 GODDARD, Attorney General,

12 Plaintiff,

13 v.

14 INQB8, LLC, a foreign limited liability  
company d/b/a Discount Mortgage Relief  
15 and Mortgage Relief; MORTGAGE  
16 RELIEF, LLC, an Arizona limited liability  
company d/b/a Mortgage Relief; JOHN  
17 COMMON and JANE DOE COMMON,  
18 husband and wife; and BRUCE SPURLOCK  
and JANE DOE SPURLOCK, husband and  
19 wife,

20 Defendants.  
21

Case No: CV2010-016840

**VERIFIED COMPLAINT FOR  
INJUNCTIVE AND OTHER RELIEF**

(Unclassified Civil)

22 For its complaint, Plaintiff, the State of Arizona upon the relation of Terry Goddard,  
23 Attorney General ("the State"), alleges as follows:

24 **INTRODUCTION**

25 Defendants INQB8, LLC and Mortgage Relief, LLC have and continue to do business  
26

1 in Arizona as a mortgage loan modification business under various names, including  
2 Discount Mortgage Relief and, most recently, Mortgage Relief.

3 Defendants John Common and Bruce Spurlock are the principal owners, operators  
4 and managers of Discount Mortgage Relief and Mortgage Relief ("DMR/MR").

5 The State alleges that Defendants violated the Arizona Consumer Fraud Act, Arizona  
6 Revised Statutes ("A.R.S.") § 44-1521 et seq., by, among other things: misleading potential  
7 clients into believing that they were guaranteed loan modifications; falsely promising  
8 potential clients specific results; falsely representing that DMR/MR's services involved  
9 attorneys negotiating loan modifications; falsely representing that DMR/MR was associated  
10 with the government or with a consumer's lender; misrepresenting DMR/MR's success rate;  
11 falsely stating that DMR/MR is "FBI Certified"; falsely telling consumers that foreclosure  
12 proceedings would automatically stop once they contracted with DMR/MR; misrepresenting  
13 that DMR/MR would refund client's fees if it could not obtain a loan modification for them,  
14 and; failing to return fees to consumers who decide not to hire the company, while  
15 continuing to charge their financial accounts for additional amounts.

16 The State is requesting appropriate injunctive and other relief against the Defendants  
17 for their violations of the Arizona Consumer Fraud Act, including restitution, civil penalties,  
18 costs and attorneys fees.

### 19 JURISDICTION AND VENUE

20 1. This action is brought pursuant to the Arizona Consumer Fraud Act to obtain  
21 injunctive relief to prevent the unlawful acts and practices alleged in this Complaint and  
22 other relief, including restitution, civil penalties, costs of investigation and attorney's fees.

23 2. This Court has jurisdiction to enter appropriate orders both prior to and  
24 following a determination of liability pursuant to the Arizona Consumer Fraud Act.

25 3. Venue is appropriate in Maricopa County pursuant to A.R.S. § 12-401.  
26

1 **PARTIES**

2 4. Plaintiff Terry Goddard is the Attorney General of Arizona.

3 5. Defendant INQB8, LLC is a Delaware limited liability company that operates a  
4 mortgage loan modification business in Scottsdale, Arizona under the names Discount  
5 Mortgage Relief and Mortgage Relief.

6 6. Defendant Mortgage Relief, LLC is an Arizona limited liability company  
7 whose sole member and manager is INQB8, LLC and who operates a mortgage loan  
8 modification business in Scottsdale, Arizona under the name Mortgage Relief.

9 7. Defendant John Common is an owner and manager of Discount Mortgage  
10 Relief and Mortgage Relief. Defendant Common's actions alleged herein were taken in  
11 furtherance of his and Defendant Jane Doe Common's marital community. As an owner and  
12 manager of Discount Mortgage Relief and Mortgage Relief, Defendant Common, with actual  
13 and/or constructive knowledge, approved, endorsed, directed, ratified, controlled or  
14 otherwise participated in the illegal acts and practices alleged herein.

15 8. Defendant Bruce Spurlock is an owner and manager of Discount Mortgage  
16 Relief and Mortgage Relief. Defendant Spurlock's actions alleged herein were taken in  
17 furtherance of his and Defendant Jane Doe Spurlock's marital community. As an owner and  
18 manager of Discount Mortgage Relief and Mortgage Relief, Defendant Spurlock, with actual  
19 and/or constructive knowledge, approved, endorsed, directed, ratified, controlled or  
20 otherwise participated in the illegal acts and practices alleged herein.

21 **FACTUAL BACKGROUND**

22 9. From at least July, 2009 to the present, Defendant INQB8, Inc. operated a  
23 mortgage loan modification business in Scottsdale, Arizona under the names Discount  
24 Mortgage Relief and Mortgage Relief, among others.

25 10. Mortgage Relief, LLC was formed on January 15, 2010 with Defendant  
26 INQB8, Inc. as the sole member and manager thereof and operates a mortgage loan

1 modification business in Scottsdale, Arizona under the name Mortgage Relief.

2 11. DMR/MR advertises its mortgage loan modification services to consumers  
3 throughout the United States with television advertisements that include telephone numbers  
4 consumers can call to contact DMR/MR about its services.

5 12. DMR/MR also advertises its mortgage loan modification services on the  
6 internet at www.discountmortgagerelief.com.

7 13. DMR/MR has contracted with thousands of consumers for its loan  
8 modification services.

9 14. Consumers who contact DMR/MR to inquire about the company's mortgage  
10 loan modification services initially talk to a DMR/MR salesperson who, if the consumer  
11 agrees to purchase DMR/MR's services, takes the consumer's credit or debit card  
12 information over the telephone and initiates a partial or full payment for DMR/MR's  
13 services, the cost of which ranges from approximately \$1,350.00 to approximately  
14 \$5,000.00.

15 15. At various times from at least July, 2009 to the present, DMR/MR's  
16 salespersons told consumers during their initial telephone call to the company, and before  
17 they agreed to purchase DMR/MR's services, that the consumer was "pre-qualified" and was  
18 guaranteed to obtain assistance.

19 16. At the time DMR/MR represented to potential clients that they were "pre-  
20 qualified" and guaranteed assistance, DMR/MR did not have any knowledge of whether any  
21 given potential client would obtain a loan modification.

22 17. Many of DMR/MR's clients who were told by the company that they were  
23 "pre-qualified" and guaranteed a loan modification did not obtain a loan modification  
24 through DMR/MR's services and, in some cases, ended up losing their homes to foreclosure  
25 after hiring DMR/MR.

26 18. At various times from at least July, 2009 to the present, DMR/MR's

1 salespersons told consumers during their initial telephone call to the company, and before  
2 they agreed to purchase DMR/MR's services, that DMR/MR could obtain specific results for  
3 them, including but not limited to, reduced interest rates and principal and elimination of  
4 second mortgages, often quoting to the consumer a specific mortgage payment that was  
5 significantly lower than the consumer's then-current payment based on the represented  
6 results.

7 19. At the time its salespersons made representations to potential clients about  
8 specific results the company could obtain for them, DMR/MR had no knowledge of whether  
9 any given potential client's lender would offer a loan modification whatsoever, let alone on  
10 any specific terms.

11 20. Many of DMR/MR's clients, who were told by the company that it could get  
12 them specific results, such as reduced interest rates and principal and elimination of second  
13 mortgages, did not obtain the promised results.

14 21. At various times from at least July, 2009 to the present, DMR/MR's  
15 salespersons told consumers during their initial telephone call to the company, and before  
16 they agreed to purchase DMR/MR's services, that if they paid DMR/MR for its services that  
17 any ongoing foreclosure proceedings involving their homes would automatically stop.

18 22. Merely contracting with DMR/MR for its services had no automatic effect on  
19 foreclosure proceedings; moreover, at the time its salespersons told potential clients about  
20 the "automatic" effect on foreclosure proceedings, DMR/MR had no knowledge of whether  
21 it would be able to stop any such proceeding for any given potential client.

22 23. At various times from at least July, 2009 to the present, DMR/MR's  
23 salespersons told consumers during their initial telephone call to the company, and before  
24 they agreed to purchase DMR/MR's services, that if they stopped making their mortgage  
25 payments that their lender could not report such non-payments to any credit bureau.

26 24. Contrary to DMR/MR's statements to consumers that credit bureaus would not

1 report missed payments, credit bureaus do report such payments and such reports can  
2 negatively affect consumers' credit scores.

3 25. At various times from at least July, 2009 to the present, DMR/MR's  
4 salespersons told consumers during their initial telephone call to the company, and before  
5 they agreed to purchase DMR/MR's services, that the loan modification process would take  
6 from thirty to forty-five days to complete.

7 26. At the time DMR/MR made representations to potential clients of a thirty to  
8 forty-five day modification process, DMR/MR had no knowledge whether any given  
9 potential client would receive a modification or how long any successful modification  
10 process would take. Moreover, at the time DMR/MR made its representation regarding a  
11 time frame for modifications, it had hundreds of open files that were several months old.

12 27. At various times from at least July, 2009 to the present, DMR/MR's  
13 salespersons told consumers during their initial telephone call to the company, and before the  
14 consumer agreed to purchase DMR/MR's services, that an attorney would negotiate the  
15 consumer's loan modification request with the consumer's bank.

16 28. DMR/MR did not use attorneys to negotiate its clients' loan modification  
17 requests.

18 29. At various times from at least July, 2009 to the present, DMR/MR's  
19 salespersons told consumers during their initial telephone call to the company, and before  
20 they agreed to purchase DMR/MR's services, that DMR/MR had a 90% and 95% success  
21 rate, respectively.

22 30. At the time DMR/MR made representations to consumers regarding its success  
23 rates, the large majority of DMR/MR's clients had not received a loan modification.

24 31. At various times from at least July, 2009 to the present, DMR/MR's  
25 salespersons told consumers during their initial telephone call to the company, and before  
26 they agreed to purchase DMR/MR's services, that if you were a veteran that you were

1 guaranteed a mortgage loan modification.

2 32. Contrary to DMR/MR's representations that veterans were guaranteed to  
3 obtain a loan modification, no such guarantee exists and DMR/MR had no factual basis upon  
4 which to make such a representation.

5 33. At various times from at least July, 2009 and to the present, DMR/MR's  
6 salespersons told consumers during their initial telephone call to the company, and before  
7 they agreed to purchase DMR/MR's services, that DMR/MR had a 100% success rate of  
8 obtaining mortgage modifications from Chase Bank.

9 34. At the time DMR/MR made its representations regarding its success rate with  
10 Chase bank, it had not successfully modified every client's loan with Chase.

11 35. At various times from at least July, 2009 to the present, DMR/MR's  
12 salespersons represented to consumers during their initial telephone call to the company, and  
13 before the consumer agreed to purchase DMR/MR's services, that DMR/MR was associated  
14 with the consumer's lender.

15 36. DMR/MR was not associated with, nor did it represent or work on behalf of, its  
16 loan modification clients' lenders.

17 37. At various times from at least July, 2009 to the present, DMR/MR's  
18 salespersons represented to consumers during their initial telephone call to the company, and  
19 before they agreed to purchase DMR/MR's services, that DMR/MR was affiliated with the  
20 government.

21 38. DMR/MR was not associated with, endorsed by, or in any way authorized to  
22 act on behalf of any government entity.

23 39. On April 1, 2010, the Federal Bureau of Investigation and the Arizona  
24 Attorney General's Office executed a search warrant at DMR/MR's offices.

25 40. At various times after April 1, 2010, DMR/MR's employees told some of its  
26 potential and active clients who contacted the company with questions regarding the FBI's

1 involvement that DMR/MR had been "FBI Certified".

2 41. Neither the Federal Bureau of Investigation nor any other law enforcement or  
3 government agency has ever "certified" or in any way approved of or endorsed DMR/MR's  
4 practices.

5 42. DMR/MR describes itself as "A Nationwide Pre-Paid Legal Services  
6 Company" on its website.

7 43. In its "Client Fee Contracts", DMR/MR refers to itself as a "Pre-Paid Legal  
8 Services Company" and the fees paid to it by consumers for loan modification services as  
9 "Pre-Paid Legal Service Fees".

10 44. DMR/MR asks its clients to sign an "ACH and Credit Card Authorization"  
11 form that allows DMR/MR to debit or charge its clients' accounts as payment for its services.  
12 DMR/MR states on its Authorization form that the client's payment to the company is for  
13 "foreclosure and loan modification assistance and related legal services."

14 45. DMR/MR does not provide legal services to any of its clients, nor does any  
15 attorney negotiate loan modification requests on behalf of DMR/MR's clients.

16 46. DMR/MR states in its client contracts "[w]e will review and analyze loan  
17 documentation to ensure compliance with RESPA, TILA, HOEPA, and other lending  
18 practices" while further describing its services as a "forensic loan document audit".

19 47. DMR/MR does not conduct any legal or forensic analysis or audit of its clients'  
20 files and its loan modification services consist primarily of clerical work, forwarding clients'  
21 documents and loan requests to lenders and conducting follow-up telephone calls with  
22 lenders and clients.

23 48. In its client agreements, DMR/MR promises its clients a full refund of any fees  
24 they pay to the company if it cannot obtain a loan modification that saves the clients "a  
25 multiple of 15 (fifteen) times the service fee", provided the client provides DMR/MR with all  
26 requested and necessary information.

1           49.    DMR/MR consistently failed to refund fees to clients for whom it was unable  
2 to obtain a loan modification and who complied with their obligations under their agreement  
3 with DMR/MR.

4           50.    If a consumer agrees to purchase DMR/MR's services, the company  
5 immediately charges the consumer's credit or debit card for at least a partial payment of fees,  
6 while later sending the consumer a written contract for their signature. Some consumers  
7 who, after initially agreeing to purchase DMR/MR's services but before signing the contract,  
8 decided against hiring the company, refused to sign the contract, and requested a refund of  
9 their fees, often within three days from the date they first contacted DMR/MR and before any  
10 substantive work was performed by DMR/MR.

11           51.    DMR/MR failed to refund fees to consumers who, prior to any substantive  
12 work being performed by DMR/MR and without having signed a contract, informed the  
13 company that they were not going to hire the company and requested a refund. Moreover, in  
14 some cases DMR/MR continued to charge or debit consumers' accounts after the consumers  
15 informed the company that they were not going to hire it or sign a contract.

16           52.    From at least July, 2009 to the present, Defendant John Common directed and  
17 ran the day-to-day operations of DMR/MR, including supervising and training the  
18 company's salespersons and writing the scripts they used when talking to potential clients.

19           53.    From at least July, 2009 to the present, Defendant Bruce Spurlock co-managed  
20 DMR/MR with John Common at the company's Scottsdale, Arizona location and was  
21 involved in the day-to-day operations of the company.

22           54.    Both John Common and Bruce Spurlock were aware that DMR/MR engaged in  
23 the unlawful acts and practices described in this Complaint and failed to make any changes  
24 to the company's operations to remedy or prevent the acts and practices from continuing.  
25  
26

1 CLAIM FOR RELIEF

2 Consumer Fraud Act, A.R.S. § 44-1521, et seq.

3 Plaintiff re-alleges the prior allegations of this Complaint as though fully set forth  
4 herein.

5 55. The Defendants engaged in the use of deception, deceptive acts or practices,  
6 fraud, false pretense, false promise, misrepresentation, or concealment, suppression or  
7 omission of any material fact with intent that others rely upon such concealment, suppression  
8 or omission, in connection with its advertisement, sale or delivery of services. Such acts and  
9 practices include:

10 a. Misrepresenting to consumers that they were pre-qualified and  
11 guaranteed a loan modification through DMR/MR's services;

12 b. Falsely promising consumers specific, favorable results;

13 c. Falsely telling consumers that if they hired DMR/MR that any  
14 foreclosure proceedings against their homes would automatically stop;

15 d. Misleading consumers into believing that once they hired DMR/MR that  
16 if they stopped making their mortgage payments that there would be no negative  
17 consequences to their credit;

18 e. Misrepresenting to consumers the amount of time DMR/MR takes to  
19 complete a loan modification;

20 f. Misrepresenting to consumers that DMR/MR's services involve legal  
21 services or the assistance of an attorney;

22 g. Misrepresenting DMR/MR's rate of success in obtaining loan  
23 modifications for its clients;

24 h. Misrepresenting to consumers that DMR/MR is associated with or  
25 acting on behalf of the government;

26 i. Misrepresenting to consumers that DMR/MR is associated with or

1 acting on behalf of the consumer's lender;

2 j. Falsely telling consumers that DMR/MR is "FBI Certified";

3 k. Misrepresenting the nature of DMR/MR's loan modification services by  
4 referring to them as forensic loan documentation audits or analyses;

5 l. Misrepresenting to consumers that they will get a refund of fees if  
6 DMR/MR fails to get them a loan modification, and;

7 m. Failing to return fees to consumers who decide not to hire the company  
8 and who cancel their initial agreement without ever having signed a contract.

9 56. At all times relevant to this Complaint, the Defendants acted willfully, in  
10 violation of A.R.S. § 44-1531.

11 **PRAYER FOR RELIEF**

12 Wherefore, Plaintiff respectfully requests that the Court:

13 1. Enter an injunction against Defendants prohibiting them from engaging in the  
14 unlawful acts and practices alleged in this Complaint and from doing any acts in furtherance  
15 of such acts and practices, pursuant to A.R.S. §§ 44-1528;

16 2. Order Defendants to restore to all persons any money and property acquired by  
17 any unlawful means or practice alleged in the Complaint, as deemed appropriate by the Court  
18 pursuant to A.R.S. § 44-1528;

19 3. Order Defendants to pay to the State of Arizona a civil penalty of no more than  
20 \$10,000 for each willful violation of the Consumer Fraud Act, pursuant to A.R.S. § 44-1531;

21 4. Order Defendants to pay the State of Arizona its costs of investigation and  
22 prosecution of this matter, including reasonable attorneys' fees, pursuant to A.R.S. § 44-  
23 1534, and;

24 //

25 //

26 //

